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SECURITY INFORMATION

14 April 1952

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**CURRENT INTELLIGENCE DIGEST**

OGAs Review Completed

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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GENERAL

1. Sino-Soviet agreement on supply of military equipment  
25X1C disclosed: [redacted] the USSR agreed to supply weapons valued at 1.4 billion rubles (350 million dollars at the official rate of exchange) to the Communist Chinese between July 1951 and May of this year.

The weapons include 500 artillery pieces, 290 medium tanks and armored vehicles, 780 fighter planes, 54 bombers, and antiaircraft equipment.

The Chinese agreed to pay 1.15 billion rubles in raw materials, gold and foreign exchange during 1952. The remaining 250 million rubles are to be a Soviet credit to China covering the value of the planes supplied. The planes are to be returned to the USSR after the Korean conflict, with China paying for destroyed aircraft. [redacted]

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Comment: The report is quite plausible and fairly consistent with general information on the increased amount of Soviet military equipment available to China over the past nine months.

The alleged reimbursement terms -- 1.15 billion rubles or almost 300 million dollars during 1952 -- would put a heavy but not impossible burden on China. Its gold and foreign exchange resources are depleted, but revenues from current exports can be allocated for the purchase of military equipment. Total Chinese Communist revenues from exports in 1951 have been estimated at some 700 million dollars, the bulk coming from deliveries to the USSR and other Orbit countries.

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2. Greece and Turkey asked to state forces available to NATO command: The Greek and Turkish Defense Ministries have been asked by the Supreme Allied Commander, Europe, to state what land and air forces they are prepared to make available to NATO. This information, which has been supplied by all other NATO countries, is needed for planning purposes on both an emergency and a long-term basis. General Eisenhower has therefore requested that the data be broken down into specified categories covering forces immediately available and those earmarked for assignment on M-day and thereafter. (C NATO SH22948 SACEUR Paris, 9 Apr 52)

Comment: If the Greeks and Turks balk at furnishing this information at the present time, it will be because of their desire to get a prior settlement of their exact position under the Southern European command.

#### EASTERN EUROPE

3. Albanian Cabinet reshuffled following second congress of Albanian Workers' Party: According to an Albanian news broadcast, Manush Myftiu, Vice President of the Council of Ministers, and Josif Pachko, Minister of State Control, have been shifted to "other important posts." Minister of Education Kahreman Ylli and Minister of Stockpiling Lefter Goga have also been relieved of their cabinet posts. Major General Bedri Spahiu, who was not re-elected to the Albanian Politburo at the recent party congress, has been named Minister of Education and a vice premier. (R FBIS, 11 Apr 52)

Comment: Both Myftiu and Pachko were elected to the Party Secretariat at the recent party congress. Myftiu was also named a candidate Politburo member. Their removal from their governmental posts apparently reflects a trend to free party officials from specific governmental duties for broader party responsibilities. In March 1951 Rita Marko was released from his post of Minister of Industry for "more important duties." The nature of these duties was partially clarified at the recent party congress when Marko was named as member of the Party Secretariat and a candidate member of the Politburo.

The release of the Ministers of Education and Stockpiling probably reflects the failure of the anti-illiteracy campaign and the agricultural collection drive which were criticized in the reports given at the recent party congress.

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4. Bulgarian Fatherland Front plans third congress: The third congress of the Bulgarian Fatherland Front is scheduled for 16 and 17 May. The agenda is to include the election of new officers, a report by the Finance Control Commission, discussion of the program of the Front and the tasks which stand before it, and consideration of amendments and changes in the organization's statutes. (R FBIS Sofia, 9 Apr 52)

Comment: Since the last congress of the Fatherland Front was convened in February, 1948, three of the then existing five coalition parties have either been disbanded or "absorbed" by the Communist Party. Although the National Agrarian Union has been allowed to survive, at least in name, as a salve to the peasant population, this party, too, has become a mere cat's-paw of the all-powerful Communist Party of Bulgaria.

The 1948 congress of the Fatherland Front was convened for the purpose of "reorganizing the Front into a united people's social-political organization with a common new program, compulsory discipline and electoral boards." It is likely that the May congress has been called in order that the Front's functions might be reassessed and re-directed in the light of the very considerable changes which have been effected in Bulgarian politics during the past four years.

5. Important new alumina plant reported to be in production in Hungary: The Danube Valley Alumina Plant at Almasfuzito near Komaron reportedly is now in production. The plant, which belongs to the Hungarian-Soviet Bauxite and Aluminum Industry, allegedly has a capacity of 60,000 metric tons and a target of 120,000 tons. The plant management is said to have experienced great difficulty in obtaining caustic soda, formerly supplied by Yugoslavia, which is necessary for the Bayer process employed by the plant. [REDACTED]

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Comment: The reported production figures indicate that Hungarian production of alumina, used to make aluminum, has increased substantially. Alumina production in 1951 was estimated at some 40,000 metric tons.

The Almasfuzito plant, started during the war, exported alumina to Germany. Hungarian reports claim that the new plant may change the character of the aluminum industry, since more than half the bauxite produced in the country

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might be processed locally. Nevertheless, increased production of aluminum will be dependent upon caustic soda and electric power resources.

6. Belgrade Embassy analyzes Communist Party weaknesses in Slovenia: On the basis of a conversation with Boris Krajger, Slovene Interior Minister, on the stimuli underlying the current Communist Party revitalization drive, American Embassy officials in Belgrade believe that the party position in Slovenia is weaker than anywhere else in Yugoslavia and that the present situation presents increased opportunities for Cominform penetration. Krajger believes that Cominform propaganda has convinced many party members that Tito is abandoning socialism, but that the principal problem facing the party in Slovenia is the powerful influence of Western culture which is causing Communists to compromise their doctrinaire stand.

Cominform propaganda directed to Slovenia is described by Krajger as particularly effective due largely to the excellent reception of Radio Budapest programs in Slovenia, which can be heard more clearly in Ljubljana than the local station. A relaxation of travel restrictions between Slovenia and neighboring Austria and Trieste has also increased Cominform sabotage, particularly on trains entering Yugoslavia from Trieste and Gorizia, and the dissemination of propaganda in Slovenia, according to Krajger.

However, American officials feel that despite current party weaknesses, which prejudice party control of the economy and alienate popular support, over-all party control is not significantly threatened. (S Belgrade Dispatch 839, 5 Mar 52)

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FAR EAST

7. China plans to increase grain shipments to the Soviet bloc: The Peiping Government reportedly decided in late March to increase exports of grain to the USSR and its European Satellites in 1952 to a million tons, a great expansion of the 1951 figure. Thirty percent of this grain will be rice. China expects to barter the grain for 100 million dollars worth of strategic materials, according to the report. [REDACTED]

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Comment: Most of China's grain exports in 1951 went to India, which has shown less interest in Chinese grain this year. It is believed that China can export a million tons of grain, but very little rice, without seriously restricting domestic consumption. The value of a million tons of coarse grains would be about 50 million dollars.

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8. Credits arranged for large Ceylonese rubber shipment to China: Credits have been opened in Ceylon to cover the shipment of 6,000 tons of rubber to Communist China. Additional credits may be opened, since a Polish vessel with space for 7,000 tons reportedly will call at Ceylon by the end of April. (C Colombo 57, 9 Apr 52)

Comment: These credits make possible the largest cargo of rubber yet sent from Ceylon to Communist China. Thus far in 1952, shipments of rubber from Ceylon to China have totaled less than 3,000 tons. The preceding year, a single cargo of about 5,500 tons was shipped.

American representations to Ceylonese officials have been unsuccessful in halting rubber exports to the Chinese Communists. The new Prime Minister of Ceylon has not expressed his views on such exports, but they will probably continue as long as the Communists can find shipping space.

9. Yugoslav missionaries deported from China: Kunming radio announced the deportation from China of seven Yugoslav missionaries, describing them as "imperialist elements." (R FBIS, 11 Apr 52)

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Comment: The Chinese Communists emphatically denounced Tito when he broke with the Cominform in 1948, and Yugoslav recognition of the Peiping regime in 1949 went unacknowledged. From time to time Yugoslav officials have expressed hope that China might be a potential "Titoist" state, and at intervals Peiping has reminded its people of the menace of Yugoslavia.

10. Appointments in Chinese Nationalist high command reported:  
The appointment of Kwei Yung-ching, former commander in chief of the Nationalist Navy, as chief military aide to Chiang Kai-shek was announced on 10 April. At the same time, General Sun Li-jen was reappointed as commander of the Chinese ground forces for another two years. (R ALUSNA Taipei, 10 Apr 52)

Comment: Kwei resigned early in April in conformance with the new Ministry of National Defense regulation which limits the incumbents of top command positions to a two year term, subject to a two year extension by the President. Kwei's new post has high rank but little authority.

Reports from Formosa over the past year have indicated that all branches of the service except the ground forces have cooperated with MAAG. General Sun is reported to have been uncooperative and to have questioned the willingness and ability of the United States to reorganize and re-equip the Nationalist Forces.

11. Viet Minh stresses guerrilla operations in Tonkin: The Viet Minh high command is striving to keep its infiltrated regiments in the Tonkin delta until the rainy season, when it is expected that the French will be forced to relax their pressure [redacted]

Viet Minh units north of the delta have the mission of diverting French troops from current clearing operations and may undertake a limited offensive to reduce the size of the French-held area. [redacted]

Comment: The flooding of the delta during the summer rains, while curtailing the operations of both the French and Viet Minh, is more harmful to the French in that it handicaps their air and armor capabilities more drastically than it does the Viet Minh's guerrilla warfare.

Recent reports state that the Viet Minh forces north of the delta, comprising more than two battle-worn divisions, are regrouping.

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12. Rival Communist factions in Burma agree to collaborate:

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[redacted] the chiefs of the two insurgent Communist parties in Burma have now composed their long-standing differences. An agreement reached in December calls for cessation of armed conflict, collaboration in fighting the government and efforts to merge into a single Communist party. [redacted]

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Comment: Personal rivalries rather than ideological incompatibility have in the past precluded collaboration or union of the two Communist groups.

Reports have been received that Communist China has specified a settlement of the factional dispute as a prerequisite for substantial material aid.

13. Karens and Burmese Communists continue to discuss alliance:

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Representatives of the insurgent Karens and the Communists are reported [redacted]

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[redacted] to have met on about 1 March and agreed to the formation of a separate Karen state when the Burmese Government is overthrown. Concurrence was also reached to hold further discussions prior to a final meeting between the top leaders to establish a "common policy." This conference is scheduled for early summer.

[redacted] FOR CRITICAL SECURITY REASONS this report must not be transmitted within the United States or beyond the borders of the United States without the express permission of the releasing office.)

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Comment: Recent reports on the progress of Karen-Communist negotiations have been conflicting. This information indicates that the Communists are continuing their heretofore fruitless efforts to obtain an alliance with the Karens.

14. New Indonesian Cabinet may be short-lived: A prominent official of the National Party, the political group which was responsible for forming the new government, told an American Embassy official that his party was "very pessimistic" over the cabinet and did not "see how it can last long."

The American Ambassador reports that most observers are adopting a "wait and see" attitude on the cabinet's chances of survival. (C Djakarta 1494, 10 Apr 52)

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Comment: National Party pessimism undoubtedly derives from its lack of influence in the recently formed cabinet, even though that body was selected by a National Party member, Premier Wilopo.

The cabinet is a coalition of eight parties and several independents and is thus subject to inevitable internal dissension. The timing of such a development will largely determine the length of its existence.

SOUTH ASIA

15. Leftist Ceylonese parties form coalition: Former Minister of Health Bandaranaike, leader of the leftist Ceylonese Freedom Party, and the Trotskyite Party have combined forces to threaten the incumbent United National Party coalition at the general elections in May. (R FBIS, 10 Apr 52)

Comment: Bandaranaike resigned last July over policy and subsequently made coalition approaches toward the Trotskyites. The resultant opposition coalition, by means of its increased voting power, may lessen the United National Party coalition's hold on the government which until now has been maintained by a small parliamentary majority. Also, the United National coalition may lose effective control of the government if forced to make unreasonable compromises in exchange for independent votes.

16. Indian Government agrees to continue negotiations on Kashmir: The Government of India has informed UN representative Graham that it is willing to continue negotiations on the Kashmir issue. It stated that it has no objection to participation in the negotiations by Admiral Nimitz, plebiscite administrator designate, provided his impartiality in arranging for a subsequent plebiscite is not prejudiced. (S New York 698, 11 Apr 52)

Comment: India's agreement to Graham's suggestion practically assures that negotiations will be continued. It does not necessarily increase the likelihood that they will be successful.

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NEAR EAST - AFRICA

17. Iranian Prime Minister admits inability to sell oil: Great Britain has been "singularly successful" in preventing reopening of the Iranian oil industry, Prime Minister Mossadeq told the American Ambassador, and Iran has so far been unable to sell a "single drop of oil." Mossadeq again added that anti-British sentiment is so strong that law and order would be threatened if British technicians returned to the oil fields. (S Tehran 3860, 10 Apr 52)

Comment: Western oil companies, fearful of jeopardizing their world-wide operations, have refused to make offers for Iranian oil.

18. Egypt facing serious financial difficulties: In spite of Britain's recent release of ten million pounds sterling to Egypt, Prime Minister Hilali Pasha faces a deteriorating financial situation. Egypt's rapid consumption of its sterling reserves at the rate of eight million pounds per month since 1 January places British currency "virtually in the category of hard currency" as far as Egypt is concerned.

There is evidence already that the government's finances are facing an increasing strain because of the diminished international demand for Egyptian cotton, the burden of governmental subsidization of living costs, and the loss of income from taxes resulting from the general trade recession. (S USARMA Cairo 681, 10 Apr 52)

Comment: The culmination of serious economic as well as political problems during recent weeks in Egypt undermines the stability of the Hilali Cabinet, which has the support of the King, but no substantial popular backing.

19. Bey delayed Tunisian Cabinet appointments until Security Council acted: According to a reliable Tunisian journalist, the Bey was "stalling" approval of cabinet appointments until after the Security Council had acted on the Tunisian question. Consequently the Residency General in Tunis, in order to aid France's UN delegation in defending its position, authorized a fictitious press release stating that the cabinet had already been formed.

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Prime Minister Baccouche and the cabinet nominees are said to be "growing nervous" over charges that they are Quislings. (C Tunis 152, 10 Apr 52)

Comment: After the Security Council on 10 April again indefinitely postponed a vote to place the Tunisian case on its agenda, the French probably renewed pressure on the Bey and forced the installation of the cabinet on 12 April.

20. Nationalists avoid violence in Tangier: According to information received at the American Legation in Tangier, the leaders of the principal Moroccan nationalist party, Istiqlal, believe that they can control the local Moroccan population and that an early recurrence of violence is unlikely.

The city has been outwardly normal during the past week. The trial on 8 April of the Moroccans arrested as a result of the 30 March riots and the 9 April anniversary date of the Sultan's 1947 visit passed without incident. (C Tangier 334, 9 Apr 52)

Comment: As a precautionary measure against new disorders, the local police have been reinforced by French and Spanish troops. Spain, however, has seized upon the 30 March violence to accuse the Zone's administration of weakness and to demand a larger share in its control.

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WESTERN EUROPE

21. Problems facing European Defense Community may bring impasse: Both France and the Netherlands have introduced new proposals at the European Defense Community treaty talks in Paris. The French proposal recognizes the necessity of a military territorial organization, but rules out a central military command at the national level, thus precluding the re-creation of a hidden German national army. Despite the chief German delegate's continued insistence on the need for a military organization at the national level, the French claim that their proposal is the minimum which the National Assembly will accept.

The Dutch delegate has proposed new amendments to govern the Community's use of direct American aid under every conceivable circumstance, although agreement was thought to have been reached already on the method of handling foreign financial aid. (S Paris 6207 and 6260, 9 and 10 Apr 52)

Comment: Continued intransigence by the Netherlands may upset the timetable for initialing the draft treaty this week.

Nearly all of Germany's leaders reject the idea of a national army, and the Federal Republic will probably accept the French proposals in time. Agreement must still be reached for the simultaneous signing of the Defense Community treaty and the Allied-German contractual agreement, now scheduled for late May.

22. United Nations Commission makes final request for admittance into East Germany: The UN Commission investigating all-German elections has sent the Soviet Commander in East Germany a final request for admittance. If no reply is received by 27 April, the Commission will report to the UN Secretary General that it could not fulfill its mission because of East German noncooperation. (C Geneva 761, 9 Apr 52)

Comment: The Commission has been in Geneva since its unsuccessful attempt to enter East Germany from Berlin three weeks ago. The Commission, in delaying its report, wanted to give the Soviet Union an opportunity to answer the Allied 25 April note before taking any action. The rejection of the Commission in the Soviet Union's 9 April note will be taken into account in the report.

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23. West Germans sense French intention to review treaties if Germany is unified: The West German delegation at the Paris European Defense Treaty conference has concluded from remarks of the French Foreign Minister that France will want to re-negotiate the Schuman Plan and EDC treaties if Germany is unified. The Germans oppose this idea, which they believe is inspired by the desire to maintain French parity of representation in the EDC and Schuman Plan voting councils. (S Paris 6162, 7 Apr 52)

Comment: To avoid being overshadowed in the EDC and Schuman Plan organizations by a large, unified Germany, France would naturally want voting and other procedures adjusted. It is most improbable that a unified Germany would be admitted into the EDC, though it might be allowed to join the Schuman Plan. Nevertheless, French talk now on renegotiating the treaties will weaken Adenauer's ability to cope with opposition arguments against his Western integration policies.

24. British Conservative Party concerned about its growing unpopularity: [redacted] has told the American Embassy in London that the Conservatives are acutely aware of their unpopularity as evidenced in Gallup polls since January and confirmed in the recent local elections. Party strategists attribute this in part to their inadequate public relations methods, as contrasted with the effective way the Labor press and the frequent speeches of Labor's ex-Ministers have hammered at the government's economic measures. (C London 4561, 10 Apr 52)

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Comment: One index of the effectiveness of this Labor propaganda is a Gallup poll on public reaction to the government's 11 March budget. Of those questioned on 17 March, 62 percent thought the budget a "fair" one; of those questioned on 31 March, only 50 percent thought so.

The growing fear of unemployment has also contributed to this swing away from the government. In Lancashire, where most of the 75,000 unemployed cotton textile workers are concentrated, the Labor Party last week captured control of the County Council for the first time in its history. In mid-March, 2.1 percent of the total working population were registered as jobless -- the highest percentage since the widespread shutdown forced by the coal crisis of 1947.

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LATIN AMERICA

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25. New Bolivian Government will be pro-Argentine: [redacted]  
 25X1C [redacted] the  
 25X1C [redacted] anti-US and anti-Communist and will  
 25X1C have a pro-Argentine orientation.

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25X1C The new government is said to be considering the national-  
 25X1A ization of the tin mines and railroads. [redacted] [redacted]  
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Comment: The Eva Peron Social Aid Foundation has announced that it is dispatching Argentine doctors, nurses, and medical supplies to aid the victims of the Bolivian revolution. At the same time the Argentine La Prensa, Peronista daily and organ of the General Confederation of Labor, praised "the great triumph" of Bolivian workers.

26. Communist labor front in Guatemala appears to be disintegrating: Four locals of the Guatemalan railway workers' union (SAMF) have passed resolutions condemning the activities of Communists within the union and advocating the union's withdrawal from the Communist-led General Confederation of Guatemalan Workers (CGTG). These four locals reportedly contain the majority of SAMF's membership.

The leaders of at least two important agricultural unions have reportedly announced their withdrawal from the CGTG and ordered members not to participate in the Communists' May Day parade. (R Guatemala City Weeka 14, 4 Apr 52; U NY Times, 10 and 11 Apr 52; R FBIS, 10 Apr 52)

Comment: Considerable dissension has developed in Guatemalan labor over the issue of Communist control. Communist labor leaders have been subjected to growing criticism for engaging in political activities to the detriment of their union duties.

Labor unionism has been probably the most important avenue of Communist penetration in Guatemala; a setback here could considerably weaken the Communist position in the country as a whole.

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FAR EAST

1. South Koreans claim Japanese lack of sincerity stalls negotiations: Yang You Chan, chief South Korean negotiator in Tokyo, revealed to an American Embassy official in Pusan on 9 April that the South Korea Government is prepared to break off negotiations with Japan rather than admit the validity of Japanese property claims in Korea. On the other hand, if Japan shows "sincerity" in the negotiations, it will be welcomed as a leader of Free Asia, Yang said, adding that success or failure is "now up to the United States."

President Rhee, to whom Yang reports directly, has also commented on Japan's lack of "sincerity."

Ambassador Muccio suspects that when Yang returns to Tokyo he may issue a new ultimatum to the Japanese. If they do not alter their stand, the Koreans "will take off on an emotional joyride of hatred and vilification" against Japan while appealing for United States support. (C S/S Pusan 985, 10 Apr 52)

Comment: Japanese claims to property in Korea were probably designed to offset South Korean claims to property in Japan belonging to Japanese firms whose headquarters formerly were in Korea.

NEAR EAST - AFRICA

2. Mossadeq accuses British of election interference: Prime Minister Mossadeq has told the American Ambassador that despite British efforts to slow the elections and thus delay formal convocation of the Majlis, he hoped that a formal meeting could be held in about two weeks. He

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asserted that eighty percent of the deputies were the "choice of the people" and that in spite of British interference only a few "British stooges" have been elected.

Mossadeq stated that he did not know what attitude the new body would take toward his government, but that the Majlis would immediately be faced with making decisions of a very grave nature. (S S/S Tehran 3861, 10 Apr 52)

Comment: National Front rigging of the election has slowed the balloting and prevented assembly of the Majlis.

Mossadeq's anti-British diatribes suggest that he will continue to depend primarily upon this line to gain support for his policies. The new strongly pro-National Front Majlis may be expected to widen the gap between Iran and the West.

3. Iranian Prime Minister sees no satisfactory way out of financial crisis: Prime Minister Mossadeq states that he does not know how his government can survive the financial problems facing it in the next few weeks. Discussing the situation with the American Ambassador on 9 April, Mossadeq said that increased taxation would not relieve the immediate need and that even reduction of the gold note cover would be of no assistance since the Majlis, in his opinion, would never permit gold freed in this manner to be used for budgetary purposes.

The Ambassador comments that Mossadeq's statements were apparently designed to persuade the United States that it must immediately give financial aid to Iran. (S S/S Tehran 3865, 10 Apr 52)

Comment: Barring the sale of oil or receipt of large scale financial assistance from abroad, Mossadeq has little choice but to attempt to reduce the gold note backing. Although opposition to debasement of the currency is unusually strong in Iran, Mossadeq's past successes and his increased strength in the new Parliament suggest that his pessimism was colored by his desire for American aid.

4. Egyptian Prime Minister will postpone elections: The Egyptian Foreign Minister informed the American Ambassador that in response to British wishes Prime Minister Hilali had decided to act on 12 April to postpone the parliamentary elections scheduled for 18 May. This action is to be taken

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in spite of the expected uproar from Wafd extremist elements. Some mention has been made that August would be the new date for elections. (S S/S Cairo 1782, 10 Apr 52)

Comment: Previous reports from Cairo have insisted that the elections would not be held on schedule. The Arab press on 11 April stated that the elections would be postponed until October.

5. Egypt now opposes draft statement on Anglo-Egyptian negotiations: Egypt, according to Foreign Minister Hassouna Pasha, is unwilling to accept a British Foreign Office revision of the proposed statement, previously agreed upon in Cairo by the British Ambassador and the Egyptian Foreign Minister, which is to precede negotiations. Hassouna states that as a result of the promulgation of the Sudan constitution Prime Minister Hilali Pasha is now so skeptical of British intentions that he has become opposed to the original draft declaration.

Hassouna adds that "in order to cover up for the Egyptian public what is going on," former Ambassador to London Amr Pasha will soon go to England ostensibly to give Foreign Secretary Eden an account of Egypt's position. (S S/S Cairo 1782, 10 Apr; S S/S London 4554, 10 Apr 52)

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